



Arnold Schwarzenegger
Governor

February 22, 2010
22M:393:mem:1013

Ms. Elaine Craig, Executive Director
Madera County Department of Education
Employment Training Office
209 East 7th Street
Madera, CA 93638

Dear Ms. Craig:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
SUMMER YOUTH PROGRAM
FINAL MONITORING REPORT
PROGRAM YEAR 2009

This is to inform you of the results of our review for Program Year (PY) 2009 monitoring review of the Madera County Workforce Development Office's (MCWDO) ARRA Summer Youth Program (SYP). This review was conducted by Ms. Molly Maloney and Mr. Francisco Macias from July 27, 2009, through July 31, 2009. Our review consisted of interviews with your staff and a review of the following items: expenditures charged to the ARRA SYP, oversight of your subrecipients, and procurement transactions. In addition, we interviewed service provider staff, SYP participants, and worksite supervisors, and focused on the following areas of your ARRA SYP: eligibility determination, program operations, participant worksites, participant payroll processing, and oversight.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20.CFR). The purpose of this review was to determine the level of compliance by MCWDO with applicable federal and state laws, regulations, policies, and directives related to the ARRA grant.

We collected the information for this report through interviews with representatives of MCWDO, service provider staff, ARRA SYP worksite supervisors, and ARRA SYP participants. In addition, this report includes the results of our review of sampled case files, MCWDO's response to Sections I and II of the ARRA SYP On-site Monitoring Guide, and a review of applicable policies and procedures for PY 2009.

We received your response to our draft report on November 16, 2009, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding two cited in the draft report we consider the

finding resolved. Because your response adequately addressed finding one cited in the draft report, no further action is required at this time. However, this issue will remain open until we verify the implementation of your stated corrective action plan during a future on-site review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 10042.

BACKGROUND

The MCWDO allocated all of its \$962,884 ARRA SYP allocation to serve 400 SYP participants. As of September 30, 2009, MCWDO expended \$726,939 to serve 307 SYP participants.

ARRA SYP REVIEW RESULTS

While we concluded that, overall, MCWDO is meeting applicable ARRA requirements, we noted instances of noncompliance in the following areas: selective service and participant payroll. The findings that we identified in these areas are specified below our recommendations and the MCWDO proposed resolution of the findings are specified below.

FINDING 1

Requirement: WIA Section 189(h) requires that participants must not have violated Section 3 of the Military Selective Service Act, which requires that every male citizen residing in the United States must register with the Selective Service System between their 18th and 26th birth dates.

Workforce Investment Act Directive 04-18 states, in part, that all males who are at least 18 years of age and born after December 31, 1959, and who are not in the armed services on active duty, must be registered for Selective Service (SS). A youth who becomes 18 years of age while participating in a WIA program must register within 30 days of his 18th birthday.

Observation: We observed that two male participants who became 18 years of age while participating in the WIA Youth program had been registered for SS more than 30 days after turning 18 years of age. Specifically, the participants were registered 50 and 59 days after their 18th birthdays.

Recommendation: We recommended that MCWDO provide the Compliance Review Office (CRO) with a Corrective Action Plan (CAP) describing how it will ensure that male participants register with SS no later than 30 days following their 18th birthday.

MCWDO Response: The MCWDO stated that reports regarding male participants turning 18 during participation are run monthly from the JTA system. These reports are reviewed by the manager and provided to the youth program operator with specific instructions and deadlines for compliance with the registration requirement. If participants do not register within the required time frame, the program operator is instructed to exit them from the program.

State Conclusion: The MCWDO's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, MCWDO's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10042.

FINDING 2

Requirement: 29 CFR 97.20(a) states, in part, that fiscal control and accounting procedures of subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Section (b)(2) states, in part, that subgrantees must maintain records which adequately identify the source and application of funds for financially-assisted activities. Section (b)(6) requires that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records.

California Code of Regulations, Title 8, Section 11040 states, in part, that every employer shall keep accurate information with respect to each employee including time records showing when the employee begins and ends each work period, meal periods, and total daily hours worked.

Observation: We observed that timesheets for ARRA SYP participants do not accurately represent payment for time worked. We found four of the 43 ARRA SYP timesheets reviewed contained mathematical errors that caused overpayments to participants and three of the 43 timesheets contained similar errors that caused underpayments to participants. In addition, we found 13 timesheets that contained edits that were not initialed or reconciled to determine the accuracy of the edits. Two of the four timesheets that contained overpayment errors also contained unsigned edits.

Recommendation: We recommended that MCWDO provide CRO a CAP to ensure that timesheet edits are properly documented, ensuring that time worked is accurately charged to the WIA account. Additionally, we recommended that MCWDO review the identified discrepancies on the 18 timesheets identified above and take the necessary corrective actions on these discrepancies. Once completed, we recommended that MCWDO provide CRO with documentation of the results.

MCWDO Response: The MCWDO fiscal staff provided spreadsheets demonstrating that they reviewed 100 percent of the SYP participant time sheets and discovered additional instances of under and over payment of wages. One spreadsheet demonstrated that all participants who were underpaid had additional checks issued to correct the underpayment. A second spreadsheet demonstrated that participants who were overpaid and who were receiving an additional check had the adjustment made to their final paycheck. Overpayments that could not be collected via payroll adjustments were corrected via a reduction in the charged indirect costs to the grant.

The MCWDO has implemented changes in time sheet processing procedures to avoid future occurrences of under or over payments including fiscal/payroll staff verifying the hours as recorded and calculating the correct wages owed. Also, future versions of the timesheet will include revisions to insure that all parties complete their portion of the timesheet accurately.

State Conclusion: We consider this finding resolved.

Due to the short period of time the 2009 SYP is in operation the above corrective actions were requested in the exit conference in order that corrective action can be taken immediately. Thank you for the timely action taken on specific issues identified above. We are providing you up to 10 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than March 5, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is MCWDO's responsibility to ensure that its systems, programs, and related activities comply with the ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain MCWDO's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a stylized, cursive script.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Greg Gibson, MIC 50
Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Roger Schmitt, MIC 50